

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 IO-14 OMB-01 CU-04 EA-11 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

SAJ-01 NIC-01 DRC-01 /194 W
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TO SECSTATE WASHDC 1220

C O N F I D E N T I A L BUDAPEST 1035

E.O. 11652: GDS

TAGS: PFOR, SCUL, EGEN, HU

SUBJECT: FONMIN PUJA'S VIEWS ON CENTRAL COMMITTEE PERSONNEL
AND POLICY DECISIONS

1. SHORTLY PRIOR TO HIS MAIDEN SPEECH AS FONMIN IN PARLIAMENT, FONMIN PUJA RECEIVED ME IN RESPONSE TO MY EARLIER REQUEST TO DISCUSS IMPLICATIONS OF RECENT CC DECISIONS. IN ADDITION TO THAT SUBJECT, COVERED IN THIS TEL, CONVERSATION ALSO TOUCHED ON MFN, VIETNAM AND DETENTE, BEING REPORTED IN THREE SEPARATE TELS.

2. CC DECISIONS ON CULTURAL AND ECONOMIC POLICY. I OPENED CONVERSATION ON CC DECISIONS BY SAYING THAT AS RESULT CONVERSATION DURING ZARB MISSION AND KADAR'S SPEECH I WAS LESS CONCERNED ABOUT POSSIBLE IMPLICATIONS OF CC DECISIONS ON OUR ECONOMIC RELATIONS THAN AT FIRST, BUT THAT I WOULD APPRECIATE ANY OBSERVATIONS HE CARED TO MAKE.

3. IN RESPONSE, PUJA FIRST REITERATED THAT THEIR ECONOMIC POLICY HAD NOT CHANGED. BY THIS HE SAID HE MEANT A POLICY OF AN EXPANDING ECONOMY, INCREASED CONSUMER WELFARE AND
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MODERNIZATION OF THEIR ECONOMY TO COMPETE IN THE WORLD MARKET.

THAT POLICY WAS CONSISTENT AND WOULD NOT CHANGE.

4. PUJA SAID THE NEW ECONOMIC MECHANISM WAS A MEANS TO IMPLEMENT THAT POLICY AND THIS ALSO WAS NOT CHANGED. HE SAID NOBODY WANTED TO CHANGE THE NEM AND IT COULD NOT BE CHANGED EVEN IF THEY WANTED TO BECAUSE "THE OUTMODED ECONOMIC MEASURES" WHICH WERE ABANDONED IN 1968 ARE AS OUTMODED TODAY AND COULD NOT BE RETURNED TO. HE REITERATED THE VIEW THAT SOME ADMINISTRATIVE MODIFICATIONS WOULD BE NECESSARY TO MAKE THE NEM MORE SUCCESSFUL IN IMPLEMENTATION. BUT HE SAID THE FUNDAMENTAL FEATURES--THE GREATER PLAY OF MARKET FORCES, MANAGERIAL DECENTRALIZATION AND GREATER ROLE FOR ENTERPRISE MANAGERS IN INVESTMENT DECISIONS--WOULD NOT BE ALTERED.

5. PUJA SAID THAT NYERS WOULD HIMSELF OBJECT TO WESTERN DESCRIPTION OF HIM AS FATHER OF NEM, BECAUSE THE CENTRAL COMMITTEE WAS THE FATHER. WESTERN PRESS IS MISTAKEN IN INTERPRETING PERSONNEL CHANGES AS END OF NEM. KADAR'S SPEECH AT NYIR-EGYHAZY SHOULD BE INTERPRETED LITERALLY WHEN HE SAYS THIS WAS PERSONNEL CHANGE AND NOT POLICY CHANGE. PERSONNEL CHANGES HAD TAKEN PLACE BEFORE WITHOUT POLICY CHANGES, "SO YOU CAN BELIEVE THIS IS CASE NOW AS WELL". PUJA SAID WESTERNERS OVERLOOKED CENTRAL POINT, WHICH WAS THAT KADAR IS STILL THERE AND SO IS FOCK.

6. I ASKED WHETHER DISCUSSIONS OF NEXT FIVE YEAR PLAN WERE SUFFICIENTLY ADVANCED THAT HE COULD SAY THERE WOULD ALSO BE NO CHANGE IN CONNECTION WITH IT, NOTING THIS WAS IMPORTANT IN CONNECTION WITH OUR ADVICE TO US BUSINESSMEN. HE REPLIED THIS WAS ABSOLUTELY CORRECT. (HUSZAR AND BIRO MADE SIMILAR POINT DURING ZARB MISSION).

7. NOTING THAT QJA HAD MENTIONED ACZEL'S SHIFT DURING ECONOMIC DISCUSSION, I SAID I WAS LESS CLEAR ABOUT WHAT TO EXPECT IN CULTURAL POLICY. HUNGARY OBVIOUSLY WAS INCREASING ITS IDEOLOGICAL EFFORTS (PUJA ADDED "AND PROPAGANDA") BUT I WONDERED WHETHER THIS MEANT WE HAD TO EXPECT A SLOWDOWN IN THE IMPROVING CULTURAL AND INFORMATIONAL RELATIONS WITH THE WEST AND US IN PARTICULAR.

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8. PUJA SAID THAT CONTINUITY AND UNCHANGED POLICY ARE CERTAIN IN THIS FIELD AS WELL. HE SAID ACZEL WOULD CONTINUE TO BE INVOLVED IN CULTURAL AFFAIRS. IN FACT HE SAID THAT FROM THE STANDPOINT OF IMPLEMENTATION HE WOULD BE INVOLVED MORE THAN EVER SINCE HE WILL NOW, HAVE DIRECT SUPERVISION OVER THE MINISTRY OF EDUCATION AND OTHER CULTURAL ORGANIZATIONS. FURTHERMORE MIKLOS OVARI, WHO TOOK ACZEL'S PLACE IN CC, WAS FOR YEARS VICE CHAIRMAN AND LATER CHAIRMAN OF CC'S

WORKING GROUP ON CULTURAL POLICY AND THUS "GREW UP WITH THIS CULTURAL POLICY AND WITH ACZEL". I ASKED WHETHER I COULD THEN REPORT TO WASHINGTON THAT CONTINUED PROGRESS IN THE THOUGHTFUL DEVELOPMENT OF OUR CULTURAL RELATIONS COULD BE EXPECTED. HE SAID THEIR POLICY HAD NOT CHANGED AND THAT PROGRESS COULD BE EXPECTED. HE ADDED THAT THEY CONDUCTED SUCH RELATIONS "ACCORDING TO THEIR COMMUNIST PRINCIPLES" AND BELIEVED IN EXCHANGE OF "TRUE CULTURAL VALUES" AND NOT IN "CULTURAL TRASH" ON EITHER SIDE, BUT THAT GOH WAS PREPARED TO PROCEED IN THAT DIRECTION.

9. COMMENT: HE DID NOT MENTION STATUS OF THE LATEST DRAFT OF THE CULTURAL AGREEMENT, WHICH IS NOW IN THE FONOFF, AND IN LIGHT OF DEPT'S MOST RECENT TEL ON THIS SUBJECT, NEITHER DID I.
PEDERSEN

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